



WEEKLY ECONOMIC DIGEST

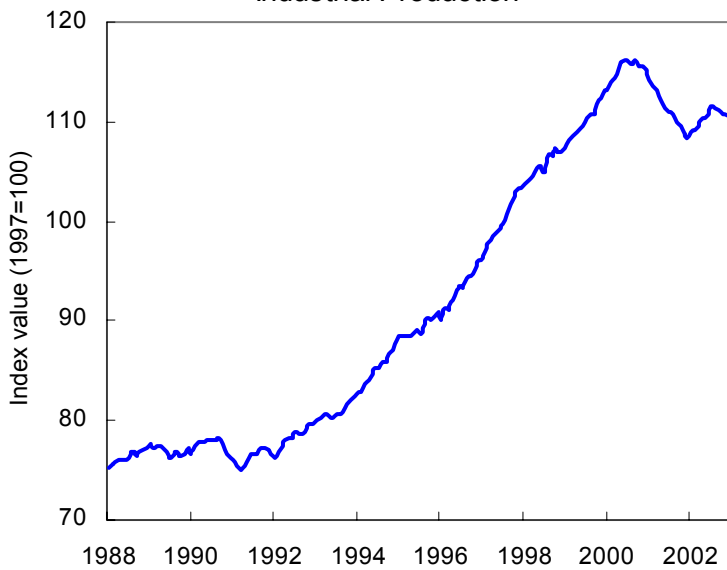
JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF
SENATOR JACK REED (D-RI)



January 22, 2003

The Economy Remains Weak

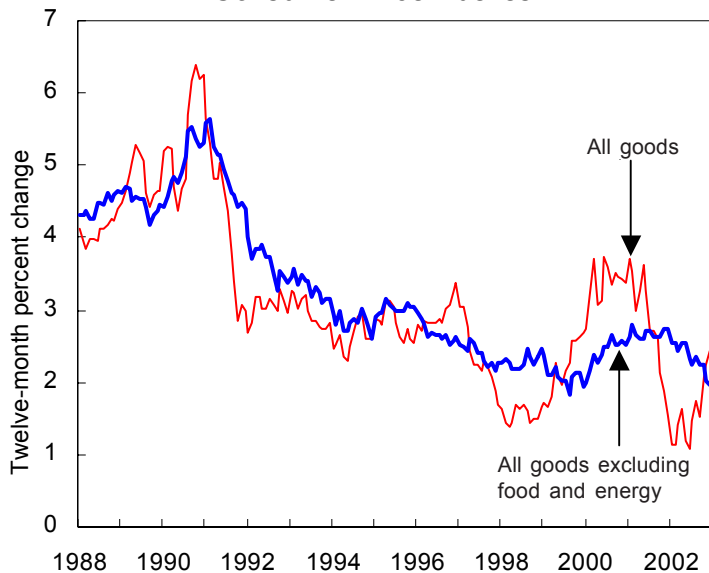
Industrial Production



Source: Federal Reserve Board.

- **A pickup in automotive sales masked weak retail activity last month.** Sales at retail and food service establishments grew by 1.2 percent in December. Motor vehicle sales rose by 5 percent, as a new round of dealer incentives triggered an enthusiastic response. Excluding those automotive purchases, however, retail sales were essentially unchanged from November's level. Moreover, preliminary results from the University of Michigan's survey of consumers show a decline in consumer sentiment in January.
- **Industrial production slipped in December.** Manufacturing, mining, and utility production fell by 0.2 percent in December. Financial markets had been anticipating a slight rise in production. Factory output declined by 0.2 percent, largely due to an 8 percent cutback in auto and light truck assemblies. Excluding automotive output, industrial production rose a meager 0.2 percent last month.

Consumer Price Indexes



Source: Bureau of Labor Statistics, U.S. Department of Labor.

- **Inflation in consumer prices remained low last month.** The Consumer Price Index (CPI) rose by 0.1 percent in December, moving to 2.4 percent above last year's level. The core rate of consumer price inflation (which excludes the effects of changes in food and energy prices) rose at the same rate as the overall CPI. The core CPI was only 2 percent above its level a year ago. That marks the lowest rate of core inflation since 1999.
- **The trade deficit increased in November.** The deficit on international trade of goods and services rose by nearly \$5 billion to \$40.1 billion in November (the latest month for which data are available). Although exports rose somewhat, imports rose by even more. Imports have tended to grow more rapidly than have exports recently because even the weak U.S. economy is stronger than most foreign economies. However, November's surge in imports largely reflected the resumption of traffic at West Coast ports.

Economy At A Glance	Dec	Nov	Oct	Sep	2002 Qrt 4	2002 Qrt 3	2002 Qrt 2	2002 Qrt 1	2002	2001
Economic Activity										
Real GDP (% growth)						4.0	1.3	5.0		0.3
Industrial Production (% growth)	-2.4	1.2	-5.8	-1.2	-2.4	3.4	4.4	1.4	1.7	-5.7
Capacity Utilization (Level, %)	75.4	75.6	75.6	76.0	75.5	76.2	75.7	75.1	75.6	77.3
Civilian Unemployment Rate (Level, %)	6.0	6.0	5.7	5.6	5.9	5.7	5.9	5.6	5.8	4.8
Housing Starts (Thousands)	1835	1747	1660	1808	1747	1697	1667	1725	1709	1603
Real Disposable Personal Income (% growth)		3.7	2.4	2.4		3.1	3.9	14.5		1.8
Retail Sales (% growth)	15.4	11.4	1.2	-16.6	1.2	6.6	4.5	-3.2	3.4	3.9
Personal Saving Rate (Level, %)		4.3	4.4	4.4		3.8	4.0	3.5		2.3
Inflation & Productivity										
CPI-U Inflation, All Items (% growth)	1.2	1.2	3.7	2.4	2.4	1.9	3.4	1.4	1.6	2.8
Core CPI-U Inflation (% growth)	1.2	2.4	2.4	1.2	1.8	2.0	2.2	2.3	2.3	2.7
Compensation per Hour (% growth)						2.4	4.5	3.6		4.1
Output per Hour (% growth)						5.1	1.7	8.6		1.1
Financial Markets										
T-Bill Rate, 3-month (Level, %)	1.2	1.2	1.6	1.6	1.3	1.6	1.7	1.7	1.6	3.4
T-Note Rate, 10-years (Level, %)	4.0	4.1	3.9	3.9	4.0	4.3	5.1	5.1	4.6	5.0
Federal Funds Rate (Level, %)	1.2	1.3	1.8	1.8	1.4	1.7	1.8	1.7	1.7	3.9
Dow Jones Industrial Avg (Index level)	8527	8626	8048	8161	8400	8488	9913	10105	9226	10189

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of the Census, U.S. Department of Commerce; Bureau of Labor Statistics, U.S. Department of Labor; Board of Governors of the Federal Reserve System; Wall Street Journal; and, Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. Compensation is the Employment Cost Index for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

* Subject to revision this week.

Upcoming Economic Releases:

- **Treasury Budget, December** [Release: Wednesday, January 22]
- **Employment Insurance Claims, Week ending Jan.18th** [Release: Thursday, January 23]
- **Existing Home Sales, December** [Release: Monday, January 27]